



General Assembly

**Substitute Bill No. 539**

February Session, 2006

\* SB00539FIN\_\_042006\_\_ \*

**AN ACT CONCERNING TAX CREDITS FOR REHABILITATING  
HISTORIC STRUCTURES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2006, and applicable to income years*  
2 *commencing on or after January 1, 2006*) (a) As used in this section, the  
3 following terms shall have the following meanings unless the context  
4 clearly indicates another meaning:

5 (1) "Commission" means the Connecticut Commission on Culture  
6 and Tourism established pursuant to section 10-392 of the general  
7 statutes;

8 (2) "Certified historic structure" means an historic commercial or  
9 industrial property that: (A) Is listed individually on the National or  
10 State Register of Historic Places, or (B) is located in a district listed on  
11 the National or State Register of Historic Places, and has been certified  
12 by the commission as contributing to the historic character of such  
13 district;

14 (3) "Certified rehabilitation" means any rehabilitation of a certified  
15 historic structure for residential use consistent with the historic  
16 character of such property or the district in which the property is  
17 located as determined by regulations adopted by the commission;

18       (4) "Owner" means any person, firm, limited liability company,  
19 nonprofit or for-profit corporation or other business entity which  
20 possesses title to an historic structure and undertakes the rehabilitation  
21 of such structure;

22       (5) "Placed in service" means that substantial rehabilitation work has  
23 been completed which would allow for issuance of a certificate of  
24 occupancy for the entire building or, in projects completed in phases,  
25 for individual residential units that are an identifiable portion of the  
26 building;

27       (6) "Qualified rehabilitation expenditures" means any costs incurred  
28 for the physical construction involved in the rehabilitation of a  
29 certified historic structure for residential use, excluding: (A) The  
30 owner's personal labor, (B) the cost of a new addition, except as  
31 required to comply with any provision of the State Building Code or  
32 the State Fire Safety Code, and (C) any nonconstruction cost such as  
33 architectural fees, legal fees and financing fees;

34       (7) "Rehabilitation plan" means any construction plans and  
35 specifications for the proposed rehabilitation of a certified historic  
36 structure in sufficient detail for evaluation by compliance with the  
37 standards developed under the provisions of subsections (b) to (d),  
38 inclusive, of this section; and

39       (8) "Substantial rehabilitation" or "substantially rehabilitate" means  
40 the qualified rehabilitation expenditures of a certified historic structure  
41 that exceed twenty-five per cent of the assessed value of such  
42 structure.

43       (b) (1) The commission shall administer a system of tax credit  
44 vouchers within the resources, requirements and purposes of this  
45 section for owners rehabilitating certified historic structures.

46       (2) The credit authorized by this section shall be available in the tax  
47 year in which the substantially rehabilitated certified historic structure  
48 is placed in service. In the case of projects completed in phases, the tax

49 credit shall be prorated to the substantially rehabilitated identifiable  
50 portion of the building placed in service. If the tax credit is more than  
51 the amount owed by the taxpayer for the year in which the  
52 substantially rehabilitated certified historic structure is placed in  
53 service, the amount that is more than the taxpayer's tax liability may be  
54 carried forward and credited against the taxes imposed for the  
55 succeeding five years or until the full credit is used, whichever occurs  
56 first.

57 (3) Any credits allowed under this section that are provided to  
58 multiple owners of certified historic structures shall be passed through  
59 to persons designated as partners, members or owners, pro rata or  
60 pursuant to an agreement among such persons designated as partners,  
61 members or owners documenting an alternative distribution method  
62 without regard to other tax or economic attributes of such entity. Any  
63 owner entitled to a credit under this section may assign, transfer or  
64 convey the credits, in whole or in part, by sale or otherwise to any  
65 individual or entity and such transferee shall be entitled to offset the  
66 tax imposed under chapter 207, 208, 209, 210, 211 or 212 of the general  
67 statutes as if such transferee had incurred the qualified rehabilitation  
68 expenditure.

69 (c) The commission shall develop standards for the approval of  
70 rehabilitation of certified historic structures for which a tax credit  
71 voucher is sought. Such standards shall take into account whether the  
72 rehabilitation of a certified historic structure will preserve the historic  
73 character of the building.

74 (d) The commission shall adopt regulations, in accordance with  
75 chapter 54 of the general statutes, to carry out the purposes of this  
76 section. Such regulations shall include provisions for filing of  
77 applications, rating criteria and for timely approval by the  
78 commission.

79 (e) Prior to beginning any rehabilitation work on a certified historic  
80 structure, the owner shall submit (1) a rehabilitation plan to the

81 commission for a determination of whether or not such rehabilitation  
82 work meets the standards developed under the provisions of  
83 subsections (b) to (d), inclusive, of this section, and (2) an estimate of  
84 the qualified rehabilitation expenditures. The provisions of this  
85 subsection shall not disqualify applications for tax credits for certified  
86 historic structures for which rehabilitation commenced but were not  
87 placed in service before the effective date of this section.

88 (f) If the commission certifies that the rehabilitation plan conforms  
89 to the standards developed under the provisions of subsections (b) to  
90 (d), inclusive, of this section, the commission shall reserve for the  
91 benefit of the owner an allocation for a tax credit equivalent to twenty-  
92 five per cent of the projected qualified rehabilitation expenditures, not  
93 exceeding two million seven hundred thousand dollars.

94 (g) Following the completion of rehabilitation of a certified historic  
95 structure, the owner shall notify the commission that such  
96 rehabilitation has been completed. The owner shall provide the  
97 commission with documentation of work performed on the certified  
98 historic structure and shall submit certification of the costs incurred in  
99 rehabilitating the certified historic structure. The commission shall  
100 review such rehabilitation and verify its compliance with the  
101 rehabilitation plan. Following such verification, the commission shall  
102 issue a tax credit voucher to the owner rehabilitating the certified  
103 historic structure or to the taxpayer named by the owner as  
104 contributing to the rehabilitation. The tax credit voucher shall be in an  
105 amount equivalent to the lesser of the tax credit reserved upon  
106 certification of the rehabilitation plan under the provisions of  
107 subsection (f) of this section or twenty-five per cent of the actual  
108 qualified rehabilitation expenditures not exceeding two million seven  
109 hundred thousand dollars. In order to obtain a credit against any state  
110 tax due that is specified in subsections (h) to (k), inclusive, of this  
111 section, the holder of the tax credit voucher shall file the voucher with  
112 the holder's state tax return.

113 (h) The Commissioner of Revenue Services shall grant a tax credit to

114 a taxpayer holding the tax credit voucher issued under subsections (e)  
 115 to (i), inclusive, of this section against any tax due under chapter 207,  
 116 208, 209, 210, 211 or 212 of the general statutes in the amount specified  
 117 in the tax credit voucher. Such taxpayer shall submit the voucher and  
 118 the corresponding tax return to the Department of Revenue Services.

119 (i) The aggregate amount of all tax credits which may be reserved  
 120 by the commission upon certification of rehabilitation plans under  
 121 subsections (b) to (d), inclusive, of this section shall not exceed fifteen  
 122 million dollars in any one fiscal year.

123 (j) The commission may charge an application fee in an amount not  
 124 to exceed ten thousand dollars to cover the cost of administering the  
 125 program established pursuant to this section. Any moneys received by  
 126 the commission pursuant to this section shall be deposited into the  
 127 account established pursuant to section 2 of this act.

128 Sec. 2. (NEW) (*Effective July 1, 2006*) There is established an account  
 129 within the General Fund to be known as the "historic structures  
 130 account". Said account shall contain any moneys required by law to be  
 131 deposited in the account. Any balance remaining in the account at the  
 132 end of any fiscal year shall be carried forward in the account for the  
 133 fiscal year next succeeding. The account shall be used by the  
 134 Connecticut Commission on Culture and Tourism for the purposes of  
 135 section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006, and applicable to income years commencing on or after January 1, 2006</i>	New section
Sec. 2	<i>July 1, 2006</i>	New section

**PD**      *Joint Favorable Subst.-LCO*

**ED**      *Joint Favorable*

**FIN**      *Joint Favorable*